

Message Text

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ACTION EA-09

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FM AMEMBASSY TOKYO

TO USERDA GERMANTOWN

INFO SECSTATE WASHDC 6857

AMEMASSY MOSCOW

USMISSION IAEA VIENNA

USMISSION EC BRUSSELS

AMEMBASSY BONN

AMEMBASSY PARIS

UNCLAS SECTION 1 OF 2 TOKYO 2130/1

ERDA FOR N.F. SIEVERING, JR., VANCE HUDGINS

E.O. 11652: N/A

TAGS: TECH, JA

SUBJECT: JAPANESE SALE NUCLEAR EQUIPMENT TO USSR

FOLLOWING ARTICLE APPEARED FEB 3, NIHON KANZAI: QUOTE
PRECONDITIONS FOR EXPORATION OF ATOMIC POWER REACTORS TO
SOVIET UNION. PARA. A DELEGATION OF 14 REPRESENTATIVES OF
SIX JAPANESE MANUFACTURING COMPANIES - MITSUBISHI HEAVY
INDUSTRIES, HITACHI, TOSHIBA, ISHIKAWAJIMA HARIMA HEAVY
INDUSTRIES, FUJI ELECTRIC MANUFACTURING, AND JAPAN STEEL
WORKS - VISITED THE SOVIET UNION ON JAN 25 AND HAS BEEN
NEGOTIATING WITH THE SOVIET SIDE ON THE PROPOSED EXPORTATION
OF TEN ATOMIC POWER PLANTS WITH AN OUTPUT OF ABOUT ONE
MILLION KILOWATTS EACH, WHICH PLANTS ARE SAID TO TOTAL YEN 400
BILLION OR YEN 500 BILLION IN VALUE. THE REACTORS UNDER
NEGOTIATIONS ARE PRESSURIZED LIGHT-WATER REACTORS, EACH WITH
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AN ELECTRIC OUTPUT OF ONE MILLION TO 1,300,000 KILOWATTS.

THE JAPANESE SIDE IS TO MANUFACTURE CONTAINERS FOR THE REACTORS, STEAM GENERATORS, PIPING, VALVES AND PUMPS, ACCORDING TO THE SPECIFICATIONS TO BE PRESENTED BY THE SOVIET SIDE. IN OTHER WORDS, THE JAPANESE SIDE WILL MAKE ATOMIC POWER REACTORS, WITH THE EXCEPTION OF THAT PART WHICH IS TO CONTAIN NUCLEAR FUEL DIRECTLY, AND THE WHOLE SET OF PERIPHERAL APPARATUSES, ACCORDING TO THE ORDER OF THE SOVIET SIDE. MANUFACTURING OF THESE REACTORS AND APPARATUSES REQUIRES A HIGH TECHNICAL LEVEL, AND THE SCALE OF THE COMMERCIAL NEGOTIATIONS ON IT, TOO, IS BIG. THIS CASE OF EXPORTATION OF REACTORS, THEREFORE, POSES AN IMPORTANT TEST FOR THE ABILITY OF JAPAN'S ATOMIC ENERGY INDUSTRY WHICH HAS BEEN DEVELOPED BY GOVERNMENTAL AND PRIVATE INVESTMENTS EXCEEDING YEN 2 TRILLION IN TOTAL FOR MORE THAN TWO DECADES, TO MEET DEMAND FROM ABROAD, INSTEAD OF RELYING SOLELY ON THE DEMAND AT HOME AS HERETOFORE. IT IS NECESSARY FOR ATOMIC ENERGY INDUSTRY CIRCLES AS A WHOLE, AND NOT THE RESPECTIVE ENTERPRISES CONCERNED ALONE, TO COPE WITH THIS CASE AS THEIR OWN PROBLEM. PARA. THE SOVIET UNION HAS 21 ATOMIC POWER PLANTS IN OPERATION, WITH A TOTAL OUTPUT OF 4,285,000 KILOWATTS (AS OF THE END OF JUNE, LAST YEAR), RANKING THIRD IN THE WORLD AFTER THE US AND BRITAIN. IF THOSE UNDER CONSTRUCTION OR AT THE PLANNING STAGE ARE INCLUDED, IT HAS 37 ATOMIC POWER PLANTS, WITH A TOTAL OUTPUT OF 17,055,000 KILOWATTS. IN RECENT YEARS, IT HAS BEGUN TO LAY SPECIAL EMPHASIS ON THE EXPANSION OF ATOMIC POWER GENERATION. UNDER ITS NINTH FIVE-YEAR PLAN (1971 THROUGH 1975), THE SOVIET UNION EXPANDED ITS ATOMIC POWER GENERATION CAPACITY TO 7,200,000 KILOWATTS, AS COMPARED WITH 600,000 KILOWATTS IN THE PERIOD OF THE EIGHTH FIVE-YEAR PLAN (1966 THROUGH 1970). IT IS SAID THAT THE TENTH FIVE-YEAR PLAN (1976 THROUGH 1980) AIMS AT EXPANDING THE CAPACITY TO ABOUT 30 MILLION KILOWATTS. SUBHEADING. EXPORTS ON THOROUGHLY COMMERCIAL BASIS URGED. PARA. THE JAPANESE SIDE WANTS TO SECURE AN ORDER FOR TWO REACTORS, EACH WITH AN OUTPUT OF ABOUT ONE MILLION KILOWATTS, PER YEAR, OR A TOTAL OF TEN REACTORS WITH AN OUTPUT OF ABOUT 10 MILLION KILOWATTS, WITHIN THE FRAMEWORK OF THE TENTH FIVE-YEAR PLAN. ATOMIC ENERGY INDUSTRY CIRCLES HOPE THAT THE JAPAN EXPORT-IMPORT BANK WILL OFFER CREDITS TO THIS CASE OF EXPORTS, WHICH AMOUNT TO SO HUGE A SUM AS YEN 400 BILLION TO YEN 500 BILLION IN TOTAL. THEY ALSO NEED CONSIDERABLE SUPPORT BY THE GOVERNMENT FOR SOLUTION OF SUCH PROBLEMS AS CONNECTION BETWEEN THIS CASE OF EXPORTS, WHICH CONSIST

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OF ATOMIC REACTORS AND RELATED APPARATUSES, AND THE COCOM-IMPOSED RESTRICTIONS, THE STANDARD ESTABLISHED BY SEVEN ADVANCED NATIONS FOR EXPORTATION OF ATOMIC ENERGY FACILITIES, AND THE JAPAN-US ATOMIC ENERGY AGREEMENT.

FOR THE PRESENT, IT IS MOST NECESSARY FOR THE JAPANESE SIDE TO HOLD THOROUGHGOING DISCUSSIONS WITH THE SOVIET SIDE ON THE DETAILS OF THE EXPORT CONTRACT TO BE CONCLUDED, SUCH AS SPECIFICA-

TIONS FOR PRODUCTION, THE DATE FOR DELIVERY AND THE TERMS OF PAYMENT, FROM THE PURELY ECONOMIC POINT OF VIEW. IT IS USELESS TO HOLD "TRADE NEGOTIATIONS" ON ANY CASE OF EXPORT WHICH CANNOT BE PUT ON A COMMERCIAL BASIS. THE JAPANESE SIDE SHOULD ENDEAVOR, FOR SOME TIME TO COME, ONLY TO SECURE REASONABLE TERMS AND REACH A CONVINCING AGREEMENT WITH THE SOVIET SIDE, WITHOUT CONSIDERATION FOR THE POLITICAL IMPLICATIONS OF THIS CASE AS A CASE OF EXPORTATION OF ATOMIC REACTORS TO THE SOVIET UNION. THERE IS NO NEED FOR JAPANESE ENTERPRISES TO EXPORT ATOMIC POWER REACTORS TO THE SOVIET UNION AT A LOSS OR BY SECURING A SUBSIDY FROM THE GOVERNMENT.

IT CAN BE SAID THAT THE ACCEPTANCE OF THE DEFERRED-PAYMENT FORMULA AND THE USE OF EXPORT-IMPORT BANK LOANS DO NOT DEVIATE FROM THE NORMAL COMMERCIAL PRINCIPLES FOR EXPORTS. IT IS NECESSARY, HOWEVER, FOR THE JAPANESE SIDE NOT TO ACCEPT ANY PROPOSAL TO HAVE THE PAYMENTS FOR EXPORTS MADE BY THE SUPPLY OF ELECTRIC POWER FROM THE EXPORTED ATOMIC POWER PLANTS, OR HAVE SUCH PAYMENTS OFFSET BY URANIUM ENRICHMENT OR REPROCESSING SERVICE. ALTHOUGH SUCH A PROPOSAL MAY APPEAR TO BE FAVORABLE, THE JAPANESE MANUFACTURERS, WHO ARE ENGAGED IN THE NEGOTIATIONS AT PRESENT, ARE NEITHER COMPETENT TO ACCEPT NOR ABLE TO IMPLEMENT THIS KIND OF PROPOSALS. SUCH A COUNTERPROPOSAL SHOULD BE RESTUDIED, FOR A LONG TIME, BY JAPAN'S ATOMIC ENERGY INDUSTRY CIRCLES AS A WHOLE, INCLUDING THE ELECTRIC POWER COMPANIES WHICH ARE USERS OF ATOMIC POWER REACTORS, AND BY THE GOVERNMENT AS WELL, AND NOT BY MANUFACTURERS ALONE. IN THE PRESENT TRADE NEGOTIATIONS, IT IS REASONABLE TO DISCUSS THE TERMS OF EXPORTS SEPARATELY FROM SUCH A PROPOSAL.

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IN 1973, THE SOVIET UNION PROPOSED TO TWO WEST GERMAN FIRMS - KWU AND BBR - TO PURCHASE FOUR PRESSURIZED-WATER-TYPE ATOMIC POWER PLANTS, EACH WITH AN OUTPUT OF ABOUT 1,300,000 KILOWATTS, AND HAVE THE PRICE OFFSET BY AN ANNUAL SUPPLY OF 17 BILLION KILOWATT HOURS OF ELECTRIC FROM THESE PLANTS. THE WEST GERMAN SIDE HAS BEEN CAREFULLY CONDUCTING THE NEGOTIATIONS OF FOUR YEARS' STANDING ON THIS PROPOSAL, BOILING DOWN THE DISCUSSIONS ON SUCH PROBLEMS AS THE OFFERING OF LOANS, CONSTRUCTION OF POWER TRANSMISSION LINES, AND THE PRICE AND QUANTITY OF THE ELECTRIC POWER TO BE PURCHASED. TO JAPAN, TOO, THE SOVIET UNION ONCE REVEALED A PLAN TO START A SIMILAR PROJECT IN SAKHALIN. JAPANESE BUSINESS CIRCLES STUDIED THIS PLAN, AND DECIDED NOT TO ACCEPT IT. IN VIEW OF THE LESSONS GIVEN BY THE TYUMEN PROJECT, WE THINK IT IS PROBLEMATIC FOR THE JAPANESE SIDE TO EXPAND THE SCALE OF ECONOMIC COOPERATION WITH THE SOVIET UNION UNNECESSARILY.

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EVEN THE ATOMIC REACTORS AND RELATED APPARATUSES ALONE INVOLVE VARIOUS INTERNAL AND EXTERNAL PROBLEMS WHICH STILL REMAIN TO BE SOLVED. OF JAPAN'S FIVE GROUPS OF ATOMIC ENERGY ENTERPRISES, ONLY THE MITSUBISHI GROUP HAS EXPERIENCE IN HANDLING PRESSURIZED-WATER-TYPE ATOMIC POWER REACTORS. MOREOVER, THE SOVIET REACTORS OF THIS TYPE ARE DESIGNED DIFFERENTLY FROM THOSE OF JAPAN. TO DATE, THEY HAVE BEEN MOSTLY OF RELATIVELY SMALL SCALE, WITH AN ELECTRIC OUTPUT OF ABOUT 440,000 KILOWATTS. ALSO THEY HAVE NOT BEEN EQUIPPED WITH EMERGENCY COOLING APPARATUSES. THE MITSUBISHI GROUP COULD TURN OUT REACTORS OF THIS TYPE ONLY BY INDUCTION TECHNIQUES FROM WESTINGHOUSE OF THE US. IT WILL BECOME NECESSARY FOR THE MITSUBISHI GROUP, THEREFORE, TO OBTAIN THE CONSENT OF THAT AMERICAN COMPANY AND PERMISSION OF THE US GOVERNMENT, IF THIS GROUP IS TO EXPORT SUCH REACTORS TO THE SOVIET UNION OR OFFER THEM TO OTHER JAPANESE MANUFACTURERS. IT MUST BE BORNE IN MIND THAT EVEN THE IMPORTATION OF ATOMIC REACTORS AND RELATED APPARATUSES FROM THE US FOR THE CONSTRUCTION OF ATOMIC POWER PLANTS OF THE ELECTRIC POWER COMPANIES AT HOME WAS SUSPENDED TEMPORARILY, BECAUSE THE US DEPARTMENT OF

COMMERCE ESTABLISHED EXPORT RESTRICTIONS AGAINST 24 ITEMS COVER-
ING SUCH REACTORS AND APPARATUSES IN JULY LAST YEAR.
SUBHEADING. HEADING TOWARD REORGANIZATION OF ATOMIC ENERGY
INDUSTRY.

IX BRIEF, IT IS ESSENTIAL FOR JAPAN TO FOSTER
AN ATOMIC ENERGY INDUSTRY WITH ENOUGH INTERNATIONAL COMPETITIVE
POWER TO EXPORT ITS PRODUCTS ON A COMMERCIAL BASIS. IT IS TOO
SHORT-SIGHTED AN ATTITUDE TO PLAN TO EXPORT SUCH PRODUCTS ONLY
TO MEET A BIG DEMAND FROM ABROAD OR AS A MEANS OF OVERCOMING THE
ECONOMIC DEPRESSION AT HOME. A TOTAL OF YEN2 TRILLION HAVE BEEN
INVESTED IN THE ATOMIC ENERGY INDUSTRY BY THE GOVERNMENT AND
PRIVATE CIRCLES FOR 23 YEARS SINCE FISCAL 1954, WHEN THE GOVERN-
MENT MADE, FOR THE FIRST TIME, A BUDGETARY APPROPRIATION AMOUNT-
ING TO YEN235 MILLION FOR ATOMIC REACTORS. THE PURPOSE OF
SUCH HUGE INVESTMENTS WAS TO GAIN A STABILIZED ENERGY SUPPLY AT
HOME, AND AT THE SAME TIME, FOSTER AN ATOMIC ENERGY INDUSTRY
WITH A BIG VALUE-ADDING CAPACITY AND UP-TO-DATE TECHNICS TO MEET
INTERNATIONAL COMPETITION. IN REALITY, HOWEVER, THERE ARE ABOUT
600 ATOMIC ENERGY ENTERPRISES WITH 30,000 EMPLOYEES IN TOTAL,
AND THEY REGISTERED DEFICITS TOTALING YEN20,200 MILLION IN FISCAL
1973, WITH ANNUAL SPENDING (PURCHASES FROM MINING AND MANUFAC-
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TURING ENTERPRISES) AMOUNTING TO YEN183 BILLION, AS COMPARED WITH
SALES TOTALING YEN162,800 MILLION. IS IT POSSIBLE FOR THESE ENTER4
PRISES TO EXPORT TO THE SOVIET UNION, WITHIN THE SPECIFIED
PERIOD, TWO ATOMIC REACTORS, TOTALING MORE THAN YEN100 BILLION IN
VALUE, EVERY YEAR? IT IS NECESSARY FOR JAPANESE ATOMIC ENERGY
INDUSTRY CIRCLES TO EXERCISE SELF-REFLECTION ON THEIR OWN
ABILITY CALMLY, BECAUSE THE SOVIET UNION HAS REVEALED SEPARATE
PLANS TO WEST GERMANY AND BRITAIN AS WELL.

THE ATOMIC POWER REACTOR IS A COLOSSAL ITEM WHICH CON-
SISTS OF ABOUT ONE MILLION PARTS. IT REQUIRES PERFECT TECHNICS
WHICH CAN MAKE EVERY PART RELIABLE. IT IS IMPOSSIBLE TO USE AT
HOME OR EXPORT TO OTHER COUNTRIES ANY REACTOR, THE SAFETY OF
WHICH IS NOT GUARANTEED. WEST GERMANY AND FRANCE HAVE CARRIED
OUT A DRASTIC CONCENTRATION OF ATOMIC ENERGY ENTERPRISES
IN THE FORM OF KWU AND FRAMATOM, RESPECTIVELY, TO DEVELOP THE
MANUFACTURING OF PRESSURIZED-WATER-TYPE REACTORS AS AN EXPORT
INDUSTRY. JAPAN'S ATOMIC ENERGY INDUSTRY STILL CONSISTS OF
FIVE GROUPS BACKED BY THE DEFUNCT ZAIBATSU. IT IS TIME TO
STUDY WHETHER THE ATOMIC ENERGY INDUSTRY, WHICH IS IN SUCH A
SITUATION, CAN MEET THE DEMAND AT HOME IN THE AGE OF SLOW
ECONOMIC GROWTH, AND STAND COMPETITION ON THE OVERSEAS MARKETS.
MARKETS FOR THIS INDUSTRY ARE NOT LIMITED TO THE SOVIET UNION.
THE COUNTRIES OF SUCH AREAS AS EAST EUROPE, THE MIDDLE EAST,
CENTRAL AND SOUTH AMERICA AND SOUTHEAST ASIA, TOO, ARE PLACING
EXPECTATIONS ON ATOMIC POWER GENERATION AS A NEW SOURCE OF

ENERGY SUPPLY. ALMOST ALL PAST NEGOTIATIONS, IN WHICH JAPANESE MANUFACTURERS IN THIS INDUSTRIAL FIELD TRIED TO GAIN ORDERS AS SUBCONTRACTORS FOR AMERICAN OR BRITISH MANUFACTURERS, ENDED IN FAILURE. THE PRESENT NEGOTIATIONS WITH THE SOVIET UNION ON BIG EXPORTS, THEREFORE, POSE AN IMPORTANT TEST FOR THE ABILITY OF THESE JAPANESE MANUFACTURERS. THE JAPANESE SIDE, THEREFORE, SHOULD START POSITIVE EFFORTS FOR THE ESTABLISHMENT OF NEW STRUCTURE FOR ITS ATOMIC ENERGY INDUSTRY, AS WELL AS FOR THE UNIFICATION OF CHANNELS AND THE ESTABLISHMENT OF BUSINESS TIE-UP AMONG FIRMS, ON THIS OCCASION. END QUOTE.
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